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25 February 1952

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CENTRAL INTELLIGENCE AGENCY

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SECRET
SECURITY INFORMATION

SECRET

SECTION 1 (SOVIET)

1. USSR. Soviet Union replies to East German note regarding peace treaty:
In a note to the East German Government on 20 February, the Soviet Union stated that it regards the conclusion of a peace treaty with Germany in accordance with the Potsdam decisions and the participation of Germany in the peace negotiations as necessary. Replying to the East German note of 13 February to the four occupation powers, the Soviet note further indicated that the USSR would do everything possible to expedite the conclusion of a peace treaty and the restoration of German unity. The Soviet Union expects the other powers to take corresponding steps. (R FBIS [REDACTED] 20 Feb 52)

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Comment: Although not offering specific proposals, this formal Soviet reply to the East German note does not preclude an approach to the four powers on the German treaty question.

2. BULGARIA. Impending currency reform rumored: According to Radio Athens, it has been reported from Sofia that thirty Russians are studying the currency in Bulgaria with a view to pegging the lev to the Soviet ruble. (R FBIS [REDACTED] 18 Feb 52)

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Comment: On 10 February, the American Legation in Bucharest reported that, according to an informant, new Bulgarian notes were currently being printed in Bucharest. No other reports concerning an impending Bulgarian currency reform have yet been received, though rumors of this type might be expected as a result of the Rumanian revaluation. Such rumors have recently been prevalent in Czechoslovakia, Hungary, and East Germany.

3. CZECHOSLOVAKIA. Government orders new measures to meet spring agricultural program: The Czechoslovak Government has ordered maximum use of improved agricultural techniques for the spring sowing this year in order to meet a 15 percent raise over 1951 figures in agricultural production and a 17 percent raise in delivery quotas. The emphasis is on increased average yields for land already under cultivation. The Ministry of Agriculture will be responsible for organizing competition in the socialized sector of agriculture.

The government also urged collective cultivation in villages without cooperatives and will arrange public meetings to discuss advantages of collective work in such villages. The American Embassy in Prague states that this program indicates an increase in the tempo of collectivization. (S Weeka No. 7, Prague, 15 Feb 52; R FBIS [REDACTED] 13 Feb 52)

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SECRET

25 Feb 52

SECRET

Comment: The present measures show that the government is still applying a combination of persuasion and indirect compulsion to undermine the position of the independent peasant; but to infer an increase in tempo of collectivization seems to be unjustified on the basis of the evidence.

Since the government seeks an immediate increase in agricultural production, it is not likely that it will now take positive measures to increase collectivization. There has not been any significant increase in the amount of land actually collectivized during the last year and the government has not yet employed direct force to achieve this end.

4. YUGOSLAVIA. Anti-religious attacks increase in Yugoslavia: The Tito regime has forbidden religious instruction in the schools of Slovenia and Croatia, both predominantly Catholic regions, and has ordered the separation of all theological faculties from their respective universities in the various republics. Moreover, the provincial press and local Communist Party organizations in Slovenia have increased their attacks against the clergy, and a series of newspaper articles along Marxist lines has predicted the demise of religion in Yugoslavia.

American officials believe that these developments suggest a high level decision to revive the religious issue as part of a concerted effort to restore party purity and reactivate the party's revolutionary functions, in order to reassure Yugoslav Communists that the building of socialism remains the principal objective of the regime. (C Belgrade 1030, 20 Feb 52)

Comment: The notable increase in anti-Catholic activity is not only an attempt to regenerate party spirit but is also probably calculated to discredit the widespread belief in Yugoslavia that the release of Archbishop Stepinac represents a concession to Yugoslav Catholics and the West.

SECRET

25 Feb 52

SECRET

SECTION 2 (EASTERN)

1. ISRAEL. Leftist opposition party splits: Two Israeli Parliament members have broken with their party, the leftist MAPAM, and have decided to form an independent group. The two members are opposed to the decided pro-Communist slant taken by the left wing of MAPAM. (C Tel Aviv 861, 21 Feb 52; R FBIS, 21 Feb 52)

Comment: The strongly leftist MAPAM has often followed the Communist line and is the strongest opposition to Prime Minister Ben Gurion's coalition government. It is losing two of its 15 members in the 120-man Parliament by this action; moreover, some of the remaining 13 are opposed to the party's often-displayed Communist alignment. The stability of the present government is enhanced by this formal break, which may foreshadow more splintering.

2. LIBYA. Government deports opposition leader: Bechir Saadawi has been taken into custody by the Libyan Government and is being deported to Egypt. During the Libyan elections of 19 February, Saadawi's National Congress Party staged riots throughout the country. The government finally acted against him, according to the Libyan Prime Minister, because he attempted to inject dangerous religious fanaticism into the elections by spreading rumors that his candidates alone were Moslems and that the rest were Christians. The security forces in Tripoli, the Saadawi stronghold, have been reinforced in anticipation of trouble. (C Tripoli 425, 21 Feb; S Tripoli 426, 22 Feb 52)

Comment: Saadawi, reportedly financed in part by Egyptian money, has often adopted a line which parallels that of the Communists. He is an outspoken opponent of the West and the present Western-sponsored Government of Libya. Although incomplete returns indicate that government candidates have won a sweeping victory in the elections for the House of Representatives, all five seats in Tripoli were captured by Saadawi supporters. Saadawi's deportation puts him in direct contact with his Egyptian friends, while his hardcore band of organized supporters may be expected to continue their anti-Western propaganda and their separatist maneuvers against the immature Libyan Government.

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SECRET

25 Feb 52

SECRET

3. PAKISTAN. Language issue causing demonstrations in East Pakistan: A general strike was reported in Dacca, East Pakistan, on 21 February. It was called in protest against the use of Urdu as the national language in Pakistan. Police used tear gas to prevent a mass meeting of university students, four of whom were killed and fifteen seriously injured. According to the American Consulate in Dacca, shops and services were partly shut down and more trouble is expected. (R Karachi 884, 21 Feb 52)

Comment: The Pakistani Prime Minister, although an East Bengali himself, recently told the East Pakistanis that Urdu, the language of West Pakistan, is to be the official language of the country. This touched off a controversy regarding the use of Urdu versus Bengali which has been brewing since 1947. It is heightened by the feelings of the East Bengalis that the national government in Karachi ignores their culture and interests. There is no evidence of any Communist connection with the strike in Dacca, but the Indian Communists of Calcutta who direct the Communist Party of East Pakistan will presumably not fail to take advantage of the opportunity to aggravate the situation.

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4. BURMA. Deployment of Communist forces reported: Burmese Communist forces are still moving northward into the Mandalay area and beyond, [REDACTED] He also stated that he had been led to understand that Communist forces had requested permission from the Karens to cross their territory in Karenni in order to meet General Li Mi's Chinese Nationalists. [REDACTED] 20 Feb 52)

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Comment: A general northward movement of Burmese Communist forces was long ago confirmed. This is the first report, however, that Burmese Communists are preparing to engage the Chinese Nationalists.

5. Burma-Soviet Cultural Association inaugurated: The Mayor of Rangoon presided over a meeting at which a Burma-Soviet Cultural Association was established. The Soviet Ambassador was one of the chief speakers and a Rangoon University mathematics professor was elected president of the Association. Its objectives are to promote student and teacher exchanges and to facilitate visits of cultural groups and exhibits. The American Embassy in Rangoon comments that the wide press coverage of this event was favorable, and that with sufficient funds the Association may develop into an effective Communist front. (C Rangoon 827, 22 Feb 52)

Comment: Heretofore, Burmese cultural and educational exchanges have been almost exclusively with the West, particularly the United

SECRET

25 Feb 52

SECRET

States and British Commonwealth. Recently the Burmese Government has been tightening its regulations of these activities. There are indications that, in conformity with its neutral foreign policy, it will feel compelled to equalize cultural exchanges.

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6. CHINA. [redacted] describes travel on new railroad in West China as "shaky": Last November [redacted] traveled over 105 miles of the partially built railroad from Chungking to Chengtu, located in West China. He described the rail bed as badly laid and travel as "excruciatingly shaky." The track gauge is one meter. [redacted] 17 Dec 51)

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Comment: This is the first report from a source who has traveled on this new railroad. These uncomplimentary observations conflict with an October Peiping broadcast which stated that as a result of adopting Soviet methods, "the Chengtu-Chungking railway is the...most firmly built in the history of Chinese railway construction." Construction of this well-publicized 329-mile railroad was begun in mid-1950 and scheduled to be completed this year.

7. KOREA. Communist cells organized among North Korean and Chinese prisoners: North Korean Army Headquarters has established a special unit whose task is to organize Communist cells among North Korean and Chinese prisoners-of-war in UN camps. Three companies are included in this unit: two are made up of well-indoctrinated Communist soldiers who have been integrated into the front-line troops to make possible their surrender and eventual confinement in prisoner-of-war camps; the third company is composed of girls who cross front-lines as refugees and secure work at UN hospitals, or as prostitutes near prisoner-of-war camps.

The purpose of this project is to counter UN intelligence operations by organizing demonstrations, hunger strikes, riots and demanding repatriation of all prisoners. (S [redacted])

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Comment: Prisoner-of-war interrogations have confirmed the operating techniques and mission of this unit.

The press has reported a riot staged in the Koje Island compound on 22 February over the issue of repatriation.

SECRET

SECRET

SECTION 3 (WESTERN)

1. GERMANY. East Germans plan to close canal lock on Berlin route to West:
East German officials have announced the closing for repairs of the Grosswusterwitz lock of the Plauer Canal, part of the Mittelland Canal system linking West Berlin and West Germany, from 22 February to 6 March, according to a report from US officials in Berlin. At first this will apparently not affect the Mittelland Canal traffic, already hampered by ice conditions. Later, however, if the closing is prolonged beyond 6 March, it may necessitate re-routing canal traffic between Berlin and the West by a longer and inferior route, thus lengthening the barge trip by approximately two days. (C Berlin 1048, 19 Feb 52)

Comment: The closing of the Rothensee lock in the Mittelland system comprised one of the major Communist harassing measures against West Berlin during 1951. Originally announced for six weeks, these "repairs" were dragged out for almost eleven months.

2. Allies to press Federal Republic for acceptance of defense contribution: British Foreign Secretary Eden suggests that US High Commissioner McCloy press Chancellor Adenauer for immediate favorable action on the over-all figure for the West German financial contribution for global defense. He says that acceptance of the TCC's recommendation of a 2.6-billion-dollar contribution would aid the survival of the present French Government and might move the French Foreign Minister to grant further concessions in such matters as West German security controls. (S Lisbon SECTO 31, 21 Feb 52)

Comment: The French Government anticipates a crisis this week over budgetary problems, which probably will not be ameliorated by any immediate German action. Adenauer will have great difficulty obtaining parliamentary approval of the TCC figure since an approximate 500-million-dollar gap exists between German and Allied conceptions of the Federal Republic's defense bill. Furthermore, the West German Finance Minister is trying to arouse public feeling against the report. If he persists, Adenauer may find it impossible to ask parliamentary approval of the TCC recommendations. Although the Finance Minister may be persuaded into accepting the over-all figure in principle, he will insist that West Germany be granted large deductions against this figure -- particularly for Federal support of West Berlin.

3. AUSTRIA. Austrian officials anticipate stronger Soviet pressure:
Chancellor Figl and Vice-Chancellor Schaerf have informed the US Embassy in Vienna that the Soviet Headquarters may have received new directives

SECRET

SECRET

to "bolster" the Soviet Union's economic and political position in Austria. Special attention, they believe, is to be devoted to economic penetration, with probable exploitation of the unemployment problem.

General Sviridov, the Soviet High Commissioner, has warned Figl and Schaerf that any action against Soviet retail establishments in Austria would be considered an attack on the Soviet Union, and intimated that "workers" might demonstrate before the Federal Chancellory in support of these enterprises. The US Embassy associates this new policy with the recent shake-up in high-ranking personnel of the Soviet Headquarters. (S Vienna 2752, 22 Feb 52; R Vienna 2753, 22 Feb 52)

Comment: Since the scheduled meeting of the treaty deputies failed to materialize, the Austrians have been increasingly bold in denouncing Soviet policy on the treaty and Soviet economic exploitation. The Soviet authorities reacted with violent attacks on the Austrian and US Governments and their alleged plans for partitioning and remilitarizing Austria.

4. FRANCE. Socialists crack down on party dissidents: The French Socialist Party is taking disciplinary action against the Socialist deputies who broke party ranks to vote against the government on the EDC resolution of 19 February. One deputy will probably be expelled from the party and others suspended, because voting discipline is not only a matter of doctrine but also a major element in the party's bargaining power, which was greatly diminished by the last parliamentary elections. (R Paris 5133, 21 Feb 52)

Comment: The Socialist support which saved Premier Faure's government was decided by a narrow margin in the party caucus, and the Socialists have made it clear that their recommendations are irreducible conditions for ratification of the Defense Community treaty. Socialist attempts to maintain party solidarity may force the government into other concessions that would further weaken the EDC.

5. French official speculates on possible successor to De Lattre: General Raoul Salan is the best qualified of various possible successors to General de Lattre as High Commissioner and military commander in Southeast Asia, in the opinion of a high French official now in Indochina. This official believes that Salan has exhibited greater military acumen than De Lattre, but considers that he has far less political prestige than the late commander. (S Hanoi 576, 20 Feb 52)

Comment: Salan is now acting as French military commander in Indochina. He is only 53 years old, has had extensive experience in Southeast Asia, and has the reputation of being a successful negotiator.

SECRET

25 Feb 52

SECRET

High-ranking Paris sources had indicated earlier that no successor would be named until the Minister for the Associated States has completed his investigation tour, and indicated that the Minister might receive the appointment himself.

6. FRANCE-TUNISIA. France proffers admittedly unacceptable program to Tunisia: The Chief of the Protectorates Division in the French Foreign Office told the US Ambassador that Resident General Jean de Hautecloque is returning to Tunis with instructions to see the Bey privately and to promise "vague reforms" in exchange for the dismissal of the Bey's Prime Minister. If Hautecloque fails in this mission, as the Foreign Office expects, he will have to wait until the French Government decides upon specific reforms to offer the Bey. Since order has been fairly well restored, there is now no sense of urgency. (S Paris 5145, 22 Feb 52)

Comment: This is the first admission by the French Foreign Office that no real effort is being made to find a solution to the present impasse. Hautecloque's current instructions appear to be designed to give the impression that France is being magnanimous while Tunisian intransigence is the principal factor barring an agreement.

7. NETHERLANDS. Intra-Catholic Party controversy reappears: Contrary to previous expectations, intra-Catholic Party differences between the left-wing and right-wing groups have not disappeared but have instead flared up over economic issues. Last June, and again early in January, the threat of a split of the two groups into separate political parties seemed to have been resolved. The right wing, however, remains unreconciled to the Socialist trend of the party's policies, while the left wing, representing the real rank and file of the party, has voiced its complaints over labor's inadequate share of the national income. (S The Hague Desp. 1332, 30 Jan 52)

Comment: A formal split within the Catholic Party would lead to its elimination as the largest single party in Parliament. Such a division does not seem likely, however, at least until after the June elections.

Labor in general has increasingly expressed resentment over what it considers a disproportionately large share of the economic burden for defense.

8. Stiffened parliamentary attitude on New Guinea evident: The Netherlands Lower Chamber has approved the government's article in the constitutional revision bill to term the Netherlands New Guinea within the Netherlands Kingdom and has rejected the Socialist amendment to refer to New Guinea as a non-self-governing territory. It also approved a Catholic

SECRET

25 Feb 52

SECRET

Party amendment providing that Parliament must give prior approval to any change in New Guinea's legal status. This enforces the present government's commitment to consult Parliament before agreeing to a different status for New Guinea and will restrict the negotiating authority of the post-election Cabinet. The US Embassy at The Hague interprets these developments as a stiffened Catholic and conservative parties' attitude on the New Guinea problem. (C The Hague 866, 20 Feb 52)

Comment: The Netherlands Government has recently reaffirmed its policy to retain interim control over New Guinea. However, the Dutch have proposed international consideration of the issue -- undoubtedly because they are sure of their claim to the area. With the June elections for the Lower House not far off, the conservative parties' attitudes also represent a vote-getting attempt on Indonesian policy, one of the most important foreign policy issues. The Socialists have always favored a more conciliatory approach.

9. ITALY. Italians in Egypt threatened by Egyptian court action: Italy has rejected a note from Egypt to the effect that any Italians found in Egypt without proper visas will be brought into court. The Foreign Office maintains that international practice allows only expulsion of such individuals. It points out that Britain is recruiting laborers for the Canal zone elsewhere than in Italy, notably in Malta which has a large Italian population. It considers it "possible" that some Italians may have been hired. (S Rome 3663, 20 Feb 52)

Comment: Italians in Egypt without Egyptian visas would presumably be those brought in for work in the Canal zone. The late January riots in Cairo have undoubtedly caused Italy to view with an even greater coolness than previously the British proposals for recruiting Italian workers for the Suez area.

10. SPAIN. Possibilities of Spain's membership in International Bank and Monetary Fund considered: The principal obstacles to Spain's membership in the International Bank and the International Monetary Fund, according to the unofficial views of Spanish officials, are: (1) the quota requirements of those institutions, because Spain's present dollar and gold reserves are so small; and (2) the Spanish multiple rate exchange system, which could be simplified only very slowly. The US Embassy in Madrid feels that Spain's membership is desirable and believes that if US economic aid to Spain is large enough to enable Spain to build up sufficient dollar balances from its own export earnings for the Bank's and the Fund's quota requirements in addition to the necessary working balance of the Spanish Foreign Exchange Institute, the Franco Government will show greater enthusiasm for membership. (S Madrid 890, 19 Feb 52)

SECRET

SECRET

11. UNITED KINGDOM. Friendlier British policy toward Formosa predicted by UK Consul there: The British Consul at Tamsui, Formosa, told the US Army Attache on 11 February that he believed "definite evidences of a friendlier" British policy toward the Chinese Nationalist regime would become evident "in the near future." The Consul, a wartime military colleague of the American officer, made this remark in requesting comment on his estimate of the present condition and military potential of the Nationalist forces, a situation in which he said his government is "keenly" interested. His statement covering these points was, according to the US Attache, fair and in agreement with recent US analyses. (S Taipei Joint Weeka 7, 16 Feb 52)

Comment: Notwithstanding wide speculation in Britain that Churchill yielded to US pressure on a variety of Far Eastern issues, including Formosa, no other evidence suggesting that Britain plans a "friendlier" attitude toward the Nationalists has been received. Such a shift in policy under present conditions would probably be received with grave misgivings on the part of a significant portion of the Conservative Party, and be rejected out of hand by Labor. Foreign Secretary Eden up to now has appeared quite anxious to retain Labor support for a bipartisan policy in the Far East.

12. MOROCCO. Spanish officials encourage schism among nationalists: Although conversations between Spanish Moroccan nationalist and Protectorate officials have been conducted in a cordial atmosphere and the nationalists have resumed political activity without difficulty, Spanish native affairs officials are reportedly encouraging the formation of splinter nationalist parties to offset the influence of the principal nationalist party, Islah. (S Tangier Joint Weeka 59, 14 Feb 52)

Comment: Native affairs officials, the bureaucracy responsible for administration at the local level, have strongly opposed the rapprochement between the Spanish High Commissioner and the Spanish Zone nationalists. The natural jealousies among nationalist leaders have always worked against a strong, cohesive nationalist organization and provide an excellent opportunity for the Spanish officials to counteract Islah's influence.

SECRET

25 Feb 52

TOP SECRET
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25 February 1952

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TOP SECRET
SECURITY INFORMATION

TOP SECRET

SECTION 2 (EASTERN)

1. SYRIA. Syria seeks closer military ties with the West: Syrian Chief of Staff Shishakli has suggested to the American Ambassador in Damascus that a visit by Syrian officers to Turkey, similar to one last autumn to the US zone in Germany, would help Syria in moving toward a "parallel policy" with Turkey. At the same time this would provide access to American equipment, methods and personnel. The American Ambassador believes that US cooperation in this matter would be instrumental in edging Syria toward a real contribution to Middle East security.

General Arnold, chief of the US military mission to Turkey, states that there are adequate facilities for training Syrian army personnel in Turkey. The American Ambassador in Ankara considers that such training would strengthen Turkish-Syrian ties as well as provide advantageous contact between the Syrians and American instructors. He also believes that expected French opposition should not deter the United States from attempting to stabilize the Syrian military establishment. (S Damascus 476, 18 Feb; S/S Ankara 793, 20 Feb 52)

Comment: While Shishakli has been seeking arms from various countries in order to strengthen his own position, these reports add weight to previous indications that the powerful Army Chief of Staff is sympathetic to the West.

2. JAPAN. Communist riots portend more aggressive policies: The American Political Adviser in Tokyo reports that the nationwide, sensational character of the "anti-colonization riots" which occurred on 21 February indicates a test of strength by the Japanese Communist Party. He believes that the incidents portend more aggressive policies from the Japanese Communist Party. (C S/S Tokyo 1754, 23 Feb 52)

Comment: An increase in violent Communist activities has been anticipated since the adoption of the 1951 party thesis which called for a more militant policy.

The Japanese press recently has been exaggerating Communist activities. Also, the government has been conducting well-publicized hearings relative to the Communist menace. This emphasis suggests a deliberate government attempt either to gain support for more drastic legislative action or to lessen criticism against increased defense appropriations.

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